

**CITY OF GREENBELT, MARYLAND
MEMORANDUM**

TO: City Council

VIA: Nicole C. Ard
City Manager

FROM: David E. Moran *DEM*
Assistant City Manager

DATE: June 15, 2017

SUBJ: Electricity Procurement

On September 12, 2016, Council approved participation in the Maryland Department of General Services' (DGS) volume based electricity procurement process. It was believed that this opportunity could result in savings for the City.

DGS conducted a reverse auction on Wednesday, May 24. In a reverse auction interested suppliers underbid each other in an attempt to win the State contracts. DGS's award for the Pepco territory was to Constellation at .04156 per kWh for a 48 month term.

The City's electricity supply contract differs from State contracts in two ways. First, the State contracts expire in June 2017 while the City's current contract expires in July 2018. Second, the City purchases 100% wind credits. These differences were made clear to DGS when the City applied to participate in the program last year and throughout the pre-auction process. It was believed that the City could obtain a separate contract with a shorter term and 100% wind, but at a slightly higher price.

On May 31, staff learned that due to interpretations by State procurement officials, the State could not award a contract to Greenbelt with different terms. DGS and their consultant were apologetic and put City staff in contact with the successful bidder – Constellation. Constellation has provided pricing for a 35 month contract with 100% wind. The June 15 price quote is .04243 per kWh which is a 42% decrease from our current rate and would save approximately \$98,000 annually in Fiscal Years 2019, 2020 and 2021.

This is a good opportunity to lock in favorable electricity supply rates and save money. It would also align the City's contract term with future State electricity procurements. Like prior electricity contract decisions because pricing changes daily, the City must make a same day decision.

There is another consideration. The City has been exploring options for an off-site solar farm. This farm could potentially generate enough electricity to offset a substantial portion of the City's electricity usage. This farm would allow the City to meet its MEA Smart Energy goal of generating 20% of the City's demand with renewable energy by 2022 and significantly offset our carbon footprint.

The City would likely finance this solar farm through a Power Purchase Agreement (PPA). The details are still being explored, but conceptually under the PPA, the City could pay an amount equivalent to what it pays now for electricity supply to a solar company for the solar panels, land costs, operations and maintenance, etc. Entering into a long-term supply contract would postpone this option.

	<u>Now-7/18</u>	<u>7/18-6/21</u>	<u>6/14-6/17</u>	<u>6/17/6/21</u>	<u>Difference</u> <u>from Current</u> <u>Rate</u>	<u>Est. Annual</u> <u>Savings</u>	<u>% Change</u> <u>from Prior</u> <u>Quote</u>
WGL Energy	0.07311						
State Contract			0.06250	0.04156	-40.91%	\$95,712	
Constellation 6.9 Quote		0.04320			-40.95%	\$95,808	-0.07%
Constellation 6.12 Quote		0.04317			-41.85%	\$97,920	-1.53%
Constellation 6.13 Quote		0.04251			-41.96%	\$98,176	-0.19%
Constellation 6.15 Quote		0.04243					

Electricity Supply Contract History			
<u>Term</u>	<u>Rate</u>		
7/05-6/06	0.07664	BWCC	
6/06-6/09	0.10598	BWCC	
6/09-6/10	0.09225	BWCC	
6/10-6/11	0.10118	BWCC	
6/11-6/13 (Includes 100% Wind)	0.08025	Clean Currents	
7/13-7/15 (Includes 100% Wind)	0.07673	WGES	
7/15-7/18 (Includes 100% Wind)	0.07311	WGES	